

Message Text

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DRAFTED BY EB/IFD:WHWITHERELL

APPROVED BY EB/IFD/OMA:JKRIZAY

EUR/NE - MR. FLOYD (SUBS)

CIEP - MR. ERB (SUBS)

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FM SECSTATE WASHDC

TO AMEMBASSY LONDON

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E.O. 11652:N/A

TAGS: EFIN

SUBJECT: TRAVEL OF WILLIAM H. WITHERELL

REF: LONDON 15202

1. WE AGREE WITH DESIRABILITY OF AVOIDING TOO MUCH OVERLAP WITH ERB DISCUSSIONS SINCE GENERAL TOPIC IS THE SAME. SINCE ERB'S VISIT HOWEVER THE CIEP WORKING GROUP ON INTERNATIONAL FINANCIAL COMPETITION HAS FURTHER DEVELOPED SPECIFIC POLICY OPTIONS IN AREAS OF REGULATION OF INTERNATIONAL ACTIVITIES OF U.S. BANKS AND THE U.S. ACTIVITIES OF FOREIGN BANKS. GROUP IS NOW SEEKING REACTION OF BANKING COMMUNITY TO THESE OPTIONS TO ASSIST THEM IN MAKING POLICY PROPOSALS TO PRINCIPALS BY LATE JANUARY.

2. WITH RESPECT TO U.S. BANKS SUGGEST APPOINTMENTS WITH CHASE MANHATTAN, FIRST CHICAGO, AND BOA WHICH WERE MISSED BY ERB. ALSO SUGGEST MR. WITHERELL VISIT SOME MEDIUM AND SMALLER U.S. BANKS OPERATING IN LONDON. CERTAIN PROPOSALS BEING CONSIDERED BO THE GROUP WOULD INCREASE THE ABILITY OF U.S. BANKS TO COMPETE IN THE INTERNATIONAL MARKET FROM A U.S. BASE OF OPERATIONS AND

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THESE COULD HAVE SIGNIFICANT EFFECT ON DECISIONS BY

MEDIUM AND SMALLER BANKS WHETHER TO CONTINUE LONDON
BRANCH OPERATIONS.

3. THE AREA OF REGULATION OF FOREIGN BANK OPERATIONS

IN U.S. IS NOW VERY IMPORTANT WITH A QUITE RESTRICTIVE
BILL HAVING BEEN SUBMITTED BY SENATOR PATMAN. CIEP
GROUP IS SEEKING FURTHER UNDERSTANDING OF HOW PRIVATE
U.K. BANKS AND UKG VIEW QUESTIONS OF ENTRY, SCOPE OF
OPERATIONS, AND POST-ENTRY REGULATION OF U.K. BANKS
IN U.S., AND GENERAL VIEWS OF PROVISIONS OF PROPOSED
PATMAN BILL. IN THIS REGARD SOME INTERVIEWS WITH
BANKS ALREADY INTERVIEWED BY ERB PROBABLY ARE NECESSARY
(E.G. WITH BARKLEYS AND BANK OF ENGLAND) BUT DISCUSSIONS
WOULD BE ON MORE SPECIFIC OPTIONS WHICH HAVE NOW BEEN
DEVELOPED.

4. IN INVESTMENT BANKING AND SECURITIES INDUSTRY AREA,

THE CIEP GROUP IS INTERESTED IN BOTH FOREIGN-BASED
OPERATIONS OF U.S. INSTITUTIONS AND THE POSSIBILITY OF
A SIGNIFICANT INCREASE IN THE IMPORTANCE OF THE U.S. AS
AN INTERNATIONAL CAPITAL MARKET FOLLOWING THE EXPECTED
PHASE OUT OF U.S. CAPITAL CONTROLS AND POSSIBLY ALSO
REDUCTION OR ELIMINATION OF U.S. WITHHOLDING AND
ESTATE TAXES. AS IN CASE OF COMMERCIAL BANKING, GROUP
WILL EXAMINE REGULATION OF FOREIGN FIRMS IN U.S. AND
FOREIGN GOVERNMENT REGULATION OF U.S. FIRMS. IT WOULD
BE HELPFUL TO HAVE VIEWS OF U.S. INVESTMENT BANKS AND
BROKERAGE FIRMS ON WHAT MIGHT BE DONE TO IMPROVE THEIR
ABILITY TO COMPETE IN INTERNATIONAL AND EUROPEAN
MARKETS AND TO IMPROVE THE ATTRACTIVENESS OF THE U.S.
AS AN INTERNATIONAL CAPITAL MARKET. ALSO SUGGEST
APPOINTMENT WITH UK BROKERAGE FIRM DOING BUSINESS IN
U.S. RUSH

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